

MALDEF BUDGET BRIEF

MALDEF Public Policy Department

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How will the Latino Community be impacted by the May Revision?

Budget Deficit Grows to \$23.6 billion

Since the release of the Governor's Proposed January Budget, the economy has shown some signs of recovery. However, California now faces a \$23.6 billion deficit, up from \$12.5 billion in January. The "May Revision" includes a mixed strategy to address this budget gap including some modest revenue increasing strategies, such as a temporary offset of the Vehicle License Fee reduction and an increase on tobacco taxes.

Tax increases account for 7 percent of the \$23.6 billion budget gap, loans about 26 percent, and service cuts are 32 percent. This means that low-income families will bear the burden for balancing the state budget.

A more equitable way to meet the state's fiscal needs and address the budget gap would be by seeking additional revenues. Balancing the budget primarily through program cuts will have a disparate impact on Latinos and other working families.

This brief highlights changes outlined in the Governor's "May Revision" that will have the greatest impact on the Latino community in the areas of Health Care, Child Care, Human Services, and Education.

Health Care

The "May Revision" contains drastic reductions to the Medi-Cal program and the health care safety net. While the Governor has rescinded his earlier proposal to eliminate the Child Health and Disability Program (CHDP) which provides early screening and immunizations to children below 200 percent of the

federal poverty level regardless of immigration status, the recently proposed cuts will have a disproportionately negative impact working poor and Latino communities.

The Latino community constitutes the highest percentage of the uninsured population. Over 30 percent of Latino children and 41 percent of non-elderly Latino adults are uninsured. More than half of uninsured Latino children are eligible for state-sponsored health care (60 percent) but persistent barriers such as a complicated enrollment process, lack of culturally and linguistically appropriate services, or fear of becoming a public charge -- when one is deemed dependent on public assistance -- severely limit their participation.

In recent years, great strides have been made to simplify the enrollment process and ensure media outreach is culturally and linguistically competent. The "May Revision" eliminates funding to these and other areas which greatly compromise the Latino community's access to care.

Increased reporting requirements for families

Eliminated in 2000, the Quarterly Status Reporting requirement is an unnecessary burden on working poor families requiring them to report detailed information about income, family, and other personal information every three months -- even if there is NO change. Although there will be a cost to the state for the administration of the requirement, the bulk of the savings will result in the estimated 400,000-600,000 families who will drop off the program. (Savings = \$310.8 million).

Elimination of health care for two-parent families

The Governor proposes to eliminate Medi-Cal for the most vulnerable populations -- two parent working families below 100 of the FPL. Families who earn approximately \$15,000 a month for a family of three will no longer be eligible for health care. More than

half of Latino children reside in two-parent working families and are twice as likely to reside in homes with annual incomes of less than \$30,000 or less. The elimination of this program will negatively affect their access to care. (Savings = \$184.2 million).

Elimination of funding for media outreach and express lane programs.

In addition to cutting into current Medi-Cal services, the Governor eliminates all funding for media outreach which will ensure that families remain in the dark about this programs. Funding to implement express lane – enrollment through assistance programs with similar income requirements to Medi-Cal – has been eliminated and deferred until July 2005. Meaning children who are already enrolled in assistance programs will continue to go without health care coverage. (Savings = \$18.6 million from outreach and \$51.6 million to defer express lane).

Decreased funds to counties

In addition to the numerous cuts to the Medi-Cal program, there is a proposed 20 percent decrease in funding to counties. The decrease in funding does not mean the elimination of office supplies, but will result in the loss of eligibility workers and case managers for the Food Stamp, Medi-Cal and Foster Care programs. (Savings = \$175.9 million).

Elimination of medically necessary benefits

The Governor's budget also proposes to cut medical services to adults in the Medi-Cal program such as dental coverage, psychiatric, chiropractic, rehabilitation therapy, and medical supplies. For children in Medi-Cal, dental cleanings and exams will be limited to one visit per year. Latino children have the least access to dental care from preschool to high school (41% and 78% of Latino students respectively lack dental coverage). The elimination of adult and limiting of children's dental coverage will further the Latino community's lack of access to comprehensive care (Savings = \$526 million from adult benefits and \$7.9 million to limit dental coverage for children).

Decrease in provider rates to doctors

The January Budget proposed to limit the reimbursement rate to Medi-Cal providers except those working with children and the elderly. The "May Revision" includes a reduction for all providers. This reduction in reimbursement rates will reduce the number of doctors who will accept Medi-

Cal patients and put additional stress on providers who primarily serve Medi-Cal patients. (Savings = \$94 million).

Decrease in funding to the safety net

County hospitals, already stressed by the number of uninsured individuals they must serve, will now face an increase in fees paid to the state for the administration of the Disproportionate Share Hospital (DSH) program. Coupled with the numerous cuts to the Medi-Cal program and the reduction of provider rates, the \$31 million increase in costs for local county hospitals will result in less money going to the care of the uninsured. (Savings - \$86.2 million).

Social Services

With the five-year time limit fast approaching, it is essential that working poor families have access to job training and educational services. The Latino community is disproportionately represented in the low-income, low wage sector. The median wage income of Latinos is \$14,500 compared to that of whites at \$27,000 or the combined median wage income for all racial/ethnic groups at \$21,000.

The "May Revision" partially restores funding to the community colleges CalWORKS program by \$20 million. However, local community college districts will have to match funding for the program. There is some concern that smaller community college districts will not be able to provide the matching funds. In addition, the Governor also proposes to fund employment services by transferring \$120 million from unspent county performance incentives. Even though the five-year limit is approaching and we face a slowly recovering economy, the Governor is not providing additional services for training programs.

In the January Budget, the Governor assumed there would be changes at the federal level to ensure that certain immigrant participants would be covered under the federal Food Stamp program. The May Revision makes a fund adjustment for those recipients who continue to be ineligible for the federal program. (\$92.2 million for California Food Assistance Program.)

In order to save in administrative costs the Governor proposes to implement quarterly reporting - instead of monthly reporting - in the Food Stamp program. This

Child Care

Access to quality child care programs is extremely important for young children. Studies show that a child develops most rapidly in the first five years of life. Unfortunately, Latino children tend to have the least access to quality care programs. Among children ages 3-5 who are not enrolled in preschool, 53 percent are Latino. Further, there is a negative correlation between the size of the Latino child population and the availability of affordable child care. It is essential that low-income working families have access to quality child care so that all children develop the cognitive, social, emotional and physical skills needed to succeed.

In January, the Governor proposed to significantly change the child care subsidy system by increasing family fees, lowering reimbursement levels for providers and changing the income eligibility scale. Between the release of the Budget and the May Revision, discussions were held with a select group of stakeholders. No consensus was reached on how to implement the proposed changes. Therefore, the Governor has rescinded his proposal on the Child Care system and plans to fully fund Stages 1,2 and 3¹, with minor increases or decreases due to changes in caseload. Additionally, \$9.8 million in one-time funding to increase training of license-exempt providers has been sustained. However, there are concerns that \$2 million has been designated for increased fraud prevention.

Postponing changes to the child care subsidy system will allow for more thorough discussions on how to address inequities in the system. The Governor's initial proposal would have resulted in families losing their child care subsidies and sacrificed quality of care. The Governor does plan to continue discussions with advocates on restructuring the subsidy system and in light of the federal government's

¹ There are three stages to the child care subsidy system: stage 1 is for individuals receiving assistance in the CalWORKS program; Stage 2 is for individuals who are transitioning off CalWORKS assistance; Stage 3 is for individuals who have completely transitioned off CalWORKS but can retain assistance with child care.

reauthorization of the Temporary Assistance for Needy Families (TANF) program.

K-12 Education

Education is the service that is least-affected by the state budget crisis. The "May Revision" makes it appear that funding for K-12 education will be increased. This is due to an increase in funds from the federal government, fund shifts, and a delay in the disbursement of education funds for one month. The No Child Left Behind (NCLB) Act provides California with \$738 million to assist educational programs. Of these funds, \$69 million are to be used for the more than 1 million limited-English speaking students, and \$25 million for migrant, rural, homeless and other targeted populations. It remains to be seen if these funds will enhance the education of our students or simply replace state funds.

The majority of the apparent increase in funds (\$1.1 billion) is simply a paper shuffle—bills that would have been paid in June will not be paid until July, when the new fiscal year begins.

Higher Education

Most of the programs in the Community Colleges, California State University (CSU) and the University of California (UC) are preserved. However, the funding reductions that are proposed will have a disproportionate effect on the Latino community. Latino students have always been underrepresented in higher education. As a result of Proposition 209 that abolished affirmative action, Latino enrollments dropped at CSU and UC campuses. In an attempt to correct this problem, outreach programs to recruit low-income and minority students were established. Last year, these outreach programs finally started to show results, and admissions of Latino students to the UC began to raise after 6 years of decline. For example, in 1995 Chicano/Latino students represented 16% of freshman admissions to UC. This percentage dropped to 14% in 1996 and 13% in 1998. In 2001, Chicano/Latino students accounted for 15% of incoming freshmen.

- ◆ \$8.4 million from the UC College Preparatory Initiative.
- ◆ \$509,000 from UC All Campus Collaborative on Outreach Research (ACCORD).
- ◆ \$12.01 million from K-12 School-University Partnerships.
- ◆ \$1.94 million from Central Valley Outreach Programs.
- ◆ \$4.7 million from Graduate and Professional School Outreach.
- ◆ \$11.3 million from the Subject Matter Projects.

Program reductions to financial aid for university students include:

- ◆ \$5.26 from the California Work Study Program.
- ◆ \$4 million to reduce Cal Grant C awards by approximately 3,000 awards.
- ◆ \$3 million to reduce Cal Grant T awards by approximately 1,000 awards.

Recent studies show that low-income and minority students are less likely to attend college or a university due to financial costs. These budget cuts will further reduce the participation of Latino students in higher education.

What's Next?

In the coming weeks, the Senate and Assembly budget committees will meet and discuss the Governor's proposals in the "May Revision". The committees can adopt some of all of the proposals. Each house will introduce their budget bill and any differences in the bills will be discussed in Conference Committee.

According to the California Constitution, the budget is to be passed and enrolled to the Governor by June 15th. Once the budget is passed, the Governor has about two weeks to review and sign the budget. In California the Governor has line-item veto power, meaning he can increase or decrease funding for certain budget items.

The MALDEF Sacramento policy office will be closely monitoring all steps in the budget process. For more information, please contact:
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